



**MINUTES FROM MEETING OF  
THE DEFERRED COMPENSATION COUNCIL  
June 7, 2016**

A meeting of the Deferred Compensation Council (the "Council") was held on June 7, 2016 at 9:00 AM in the Conference Room of the Office of the State Treasurer ("OST")  
820 Silver Lake Blvd., Suite 100, Dover, DE 19904

All Board Members Represented or in Attendance:

The Honorable Ken Simpler, State Treasurer  
Ms. Jennifer Vaughn (on behalf of Insurance Commissioner, Karen Stewart)  
Ms. Valerie Watson (on behalf of Secretary Thomas J. Cook, Department of Finance)  
Mr. Robert Scoglietti (on behalf of Director Brian Maxwell, Office of Management & Budget)  
Mr. Charles Campbell-King, State Employee Member At-Large

Board Members Not Represented or in Attendance:

Mr. Ralph Cetrulo, Public Member At-Large

Others in Attendance:

Ms. Ann Marie Johnson, Deputy Attorney General  
Ms. Nora Gonzalez, Deputy State Treasurer, Office of the State Treasurer  
Mr. John Meyer, Director of Contributions and Plan Management, Office of the State Treasurer  
Mr. Michael Green, Financial Investment Program Manager, Office of the State Treasurer  
Mr. Dan Kimmel, Financial Investment Program Manager, Office of the State Treasurer  
Ms. Martha Sturtevant, Office of the State Treasurer  
Mr. Mike Sanders, Principal, Cammack Retirement Group  
Ms. Kasi Boyles, Vice-President, Voya Financial

**CALLED TO ORDER**

Mr. Simpler called the meeting to order at 9:02 AM.

Mr. Simpler introduced John Meyer as the new Director for the Contributions and Plan Management Division at OST.

**APPROVAL OF THE MINUTES**

A MOTION was made by Mr. Scoglietti and seconded by Ms. Watson to approve the minutes with noted corrections from March 30, 2016, April 11, 2016, April 20, 2016 and May 3, 2016.

MOTION ADOPTED UNANIMOUSLY

## **CAMMACK'S PRESENTATION AND RECOMENDATIONS**

### **INVESTMENT ARRAY RECOMMENDATIONS**

Mr. Sanders reviewed Cammack's recommendation for the Fund Array and the recommended new structure. He stated that the recommendations support the Council's goal of offering the best investments at the lowest cost to participants and is aligned with industry trends and best practices.

- Tier One is the default investment option consisting of a Target Date Series of pre-mixed, age-based and professionally managed portfolios for participants who want to responsibly use the "set it and forget it" approach.
- Tier Two consists of a set of streamlined investment fund recommendations from the major asset classes for participants who are interested in creating their own investment portfolios.
- Tier Three consists of a Self-directed Brokerage Account with over 10,000 investment options for participants who desire to purchase specific investments and are willing to accept additional risks associated with their selected investment choices.

All Plans will provide participants with investment advisory services through Morningstar, an independent third-party fiduciary financial advisory firm. Through this service, participants will be offered asset allocation alternatives and recommendations.

The Council discussed the merits, benefits and risks of each tier and how that information would be communicated to participants. Ms. Johnson asked if participants could be in more than one Tier and Mr. Sanders confirmed that it was possible to do so. Mr. Campbell-King noted that less than 1% of participants on the 457(b) Plan have selected this brokerage window option and the 403(b) Plan does not currently offer the option. Details on the recommendations can be found on the transition page at the Office of State Treasurer's website.

### **Deputy Attorney General Report**

Ms. Johnson briefed the Council on a recent Chancery Court decision, *In Re Dell*.

### **MAPPING STRATEGY & FEES**

Mr. Sanders reviewed the recommended mapping strategy to be used as part of the transition. He stated that using a mapping strategy to a target date series will allow participants to choose the time horizon that works best for their specific financial goals and provide them with a professional allocation and automatic rebalance. The selected series will be considered the qualified default investment alternative (QDIA) for the Plans. He added that participants will have the opportunity to select their own mapping strategy prior to the conversion to the new recordkeeper if they do not want to be mapped into a target date fund. Mr. Simpler noted and Mr. Sanders confirmed that 40% of current participants were in Target Date funds. Mr. Sanders provided an overview of the proposed investment array to include fees and noted the improvement in communicating fees to participants.

Mr. Simpler asked if participants who are currently set up with a Self-Directed Brokerage Account would be mapped into the default investment option. Ms. Boyle said that only individual securities will transfer through an Automated Client Account Transfer (ACAT). She added that it would be prudent to reach out to those participants to explain the process.

Ms. Gonzalez reported on a comparison of the average fees that participants are currently paying with the estimated fees of the proposed lineup. She ~~indicated that~~[indicated that](#) annual savings to participants is projected

to be an aggregated value ~~of \$~~of \$6,000,000 across all Plans, ~~assuming a~~assuming all assets were to transfer over to Voya funds.

The Council thoroughly discussed the proposed investment lineup, fees and transparency.

A MOTION was made by Mr. Simpler and seconded by Mr. Scoglietti to adopt the Investment Array recommendations made by the Council's outside consultant, Cammack consistent with the independent recommendations of the Investment Committee for all three Plans.

#### MOTION ADOPTED UNANIMOUSLY

The Council discussed the need for ~~continuing transition~~continuing transition services from Cammack with Mr. Sanders. After further discussion, it was concluded that OST would make a recommendation as whether and to what extent further consultation services would be needed.

#### OPEN ITEMS

Ms. Gonzalez presented a proposal received from Fidelity to extend the Revenue Credit Program Agreement. The proposal would continue the program through the conversion and transition of the system, and pro-rate fees accordingly. The Plans will no longer use the current Revenue Credit model after transition. The Voya fee structure will be more transparent to participants.

A MOTION was made by Mr. Scoglietti and seconded by Ms. Watson to extend the Revenue Credit Program contract with Fidelity subject to legal review.

#### MOTION ADOPTED UNANIMOUSLY

Ms. Gonzalez presented the Council with a report reflecting budget and actual expenditures. She requested a \$10,000 increase for the marketing budget. The marketing increase ~~will~~will a new branding initiative, logos and taglines. Mr. Meyer stated that the branding initiative of the DCC Plans would be coordinated in conjunction with DCIP and the timeline for new branding will be finalized by September.

A MOTION was made by Mr. Scoglietti and seconded by Ms. Watson to approve a marketing budget of \$10,000 to rebrand all DCC Plans.

#### MOTION ADOPTED UNANIMOUSLY

Ms. Gonzalez reviewed the budget shortfall for the administration of the 403(b) Plan and updated the Council on OST's communications with OMB. She indicated that the consensus was to use NSF Appropriation 20350 to cover the shortfall and create a reserve account to pay for settlor expenses and/or other administrative expenses not covered by participants. ~~He~~She asked the Council to authorize OST to formally submit a request to OMB for the remaining funds to begin a reserve account to fund "settlor" expenses.

A MOTION was made by Ms. Watson and seconded by Mr. Simpler to formally submit the request to OMB to cover the 403(b) budget GAP and to create a reserve account for the Plans.

MOTION ADOPTED, Mr. Scoglietti abstained.

#### PROJECT UPDATE

Mr. Simpler discussed his communication with members of the General Assembly, the business managers of the school districts, presidents of local education unions of various school districts, and the DSEA. He reviewed the updates made to OST's website and the feedback he has received on the process. Mr. Scoglietti added that many participants do not have a full understanding of the difference between deferred compensation and retirement pension, and he suggested that additional clarification be provided when promoting the Plans.

Ms. Boyle updated the Council on Voya's implementation; including ancillary contracts, the communication plan, the technical and data transition and the setup of the local Voya team. Ms. Boyle stated that the Voya local office will be ready to respond to the participants by the first or second week of July.

The Council discussed ongoing communications to participants and a tentative communication campaign to begin mid-July. Ms. Watson asked the Council to consider an earlier communication to let participants know that the change is forthcoming and that there is no action required at this time. She also suggested a countdown to be added to the website. The Council discussed referring participants with concerns to the OST website in the interim.

### **EXECUTIVE SESSION**

A MOTION was made by Ms. Watson and seconded by Mr. Campbell-King to move into Executive Session.  
MOTION ADOPTED UNANIMOUSLY

### **CALLED TO ORDER**

Mr. Simpler called the Public Session back to order at 11:59 AM.

### **NEW BUSINESS**

Mr. Green provided the Council an update on the 457(b) Pilgrim Baxter Mutual Funds. He said the fund was closed out a settlement resulted in \$10.98 moved into the forfeiture account.

### **OLD BUSINESS**

Ms. Gonzalez and Mr. Kimmel reviewed the concerns OST had uncovered regarding questionable practices by one of the 403(b) brokers/advisors. Mr. Kimmel had new concerns regarding disclosure and transaction charges to participants who are 59.5 years of age. Mr. Simpler stated that OST would discuss internally about possible outreach. Mr. Green added that in the last three years, OST has brought forth similar concerns before the Securities Division, the Insurance Commissioner's Office and the Department of Justice.

### **PUBLIC COMMENT**

No public present for comment.

### **ADJOURNMENT**

A MOTION was made by Mr. Campbell-King and seconded by Mr. Scoglietti to adjourn the meeting at 12:02 [AMPM](#).

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

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The Honorable Ken Simpler, State Treasurer  
Co-Chair for the Deferred Compensation Council

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The Honorable Thomas J. Cook, Secretary of Finance  
Co-Chair for the Deferred Compensation Council

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